

**POLITICAL ECONOMY REVIEW
OF
JORDAN**

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LIST OF ACRONYMS

EIU	Economic Intelligence Unit
FIBS	Foreign Information Broadcast Service
FJLU	Federation of Jordanian Labor Unions
GJWU	General Jordanian Women's Union
JD	Jordanian Dinar
MP	Member of Parliament
P	Palestinians
PLO	Palestine Liberation Organization
T	Transjordanians
WUJ	Women's Union in Jordan

PREFACE

The purpose of this Political Economy Review is to provide an overview of the political system and dynamics of political and economic change in Jordan. Similar Reviews are being prepared for most other AID recipient countries in the region. The Near East Bureau views these documents as an essential step in broadening and deepening Agency understanding of the political constraints to development in the region. The Reviews will help to improve both targeting and quality of development assistance in areas ranging from democratic political reform (e.g., elections, parliamentary development) to more conventional development problem areas such as water resource management and private sector growth. Whenever policy change is needed, analyzing political constraints to development is essential.

The intent of these documents is to "describe," not to "prescribe": to analyze the existing political and economic conditions in a country and lay a broad foundation for identifying the political obstacles to progress in key sectoral areas. The documents examine the political strategies that regional governments are pursuing to maintain domestic political stability.

AID support for strengthening democratic institutions is underway in a number of countries. Efforts under the Agency's Democratic Initiative can be more effective and can avoid mistake if they are back by a full understanding of host country political economy. These Reviews are one step toward providing that understanding.

EXECUTIVE SUMMARY

Jordan is a small country, surrounded by formidable neighbors. Jordanian policy making in all spheres is dominated by the need to respond to external shocks, such as the Arab-Israeli conflict and oil price fluctuations. The GOJ must also straddle a domestic ethnic divide between Palestinians and native Transjordanians which has been a source of tension over the years. This "domestic" split has, of course, deep resonances for the neighboring areas and countries. In Jordan, far more than in most countries, the line between domestic and foreign actors blurs. The GOJ must constantly balance complex, mutually interacting foreign and domestic forces. *This balancing act dominates all political decision making in the Kingdom, including development policy formulation and implementation.*

Jordanian domestic politics have been shaped in large part by the division and tensions between its two large communities: Transjordanians and Palestinians. The traditional base of support for the regime was the native Transjordanian community which, particularly since the civil war of 1970, has held most positions in the military, intelligence, and civilian bureaucracies. As a result, the Palestinian sector of the population was largely relegated to the private sector. Hence, there is a considerable coincidence between communal identity and relationship to the state, although the upper echelons of the Palestinian bourgeoisie also enjoy close ties to the King. Jordan faces the common problem of an overgrown public sector and a (relatively) weak private sector that has been dependent on government contracts. The Kingdom also suffers from the usual class divisions of rich and poor, and from the appeal of political Islam to significant sections of the lower and middle-classes.

King Hussein stands at the center of the political system, trying to balance these various forces. External events have recently changed the nature of this balancing act. Before 1989 the King ruled as a traditional authoritarian monarch, and the State ensured popular quiescence in the system by:

- Providing an atmosphere conducive to making money
- Avoiding direct taxation of Jordanians through heavy reliance on external funds

Both pillars of the old order were undermined by the economic crisis of 1988, and the King was forced to change his strategy to include a process of political liberalization. Political and economic liberalization went hand in hand; both must be seen as responses to necessity, and as part of the King's survival strategy.

The balancing act is a difficult one. Implicit in the economic reform package is a greater focus on the largely Palestinian private sector. At the same time, the political liberalization process by definition downgrades the role of internal security and the state, while giving freedom of expression to those who had been outside the state. While the

larger picture is much more complex, in simplified terms, both processes appear to work to the benefit of the Palestinian sector of the population and to the detriment of Transjordanians.

Any proposals for further reforms or modifications of the system must take into account this factor of Transjordanian state sector vs. Palestinian private sector. The government will try to assemble "policy packages", which offer off-setting benefits to losers from economic reforms, as part of the strategy of the balancing act. The king has skillfully balanced opposing forces before, but the current period may prove an even greater challenge. This is especially true because there are Transjordanian elements that also feel threatened by the prospect of a peace settlement, especially one that calls for a confederation between Jordan and a Palestinian entity.

The free operation of political parties and other civil society institutions (professional associations, women's organizations, labor unions), along with freer media and a vocal parliament, should help to diffuse some of the discontent generated by the two-track reform process. Here, the Islamist organizations play a particularly important role. They constitute the only political party with a mass base and their influence cuts across the Palestinian-Transjordanian divide. Jordanians have also long relied on informal channels (clan, tribe, family) to represent their interests. Traditional channels will remain critical in the near and medium term.

It is important to understand the limits to the process of political liberalization. Accountability for both economic and political policy is greater than in the pre-liberalization period; however, most decision-making power remains in the hands of the king, who continues to surround himself with a mix of Transjordanian and Palestinian advisors. Given the delicate balancing act required to manage intercommunal relations, at this stage the regime appears to believe that a greater devolution of power may be destabilizing and counterproductive to long-run economic and political development. The need to respond nimbly to the rapidly changing regional political environment reinforces this view. Accordingly, further power-sharing does not appear to be part of regime strategy at this point.

Two possible developments could undermine such a strategy: 1) further economic decline, which could create class solidarities across ethnic lines among less well-to-do Palestinians and Jordanians; or 2) widespread frustration over the peace process, combined with continued economic decline. Although the second scenario still seems unlikely, any instability facing the regime is most likely to come from a coalition of conservative Transjordanians and Islamists, both Palestinian and Transjordanian.

SECTION I INTRODUCTION

Jordan is a small country, surrounded by formidable neighbors: each country bordering Jordan is either richer (Saudi Arabia), more powerful militarily (Syria), or both (Israel). The Government of Jordan (GOJ) must constantly balance these and other powerful external forces to survive. Jordanian policy making in all spheres is dominated by the need to respond to external shocks, such as sudden shifts in the Arab-Israeli conflict, precipitous changes in oil prices, and lethal regional conflicts like the Iran-Iraq war and the 1990-91 Gulf crisis.

The GOJ must also straddle a domestic ethnic divide between Palestinians and native Transjordanians which has been a source of tension over the years. These tensions have been exacerbated by the current processes of economic reform and political liberalization. This "domestic" split has, of course, deep resonances for the neighboring West Bank, Israel, Syria, and the Arab world as a whole. In Jordan, far more than in most countries, the line between domestic and foreign actors blurs. The GOJ must constantly balance complex, mutually interacting foreign and domestic forces.

Beginning in the late 1980s, the GOJ embarked on a policy of economic and political liberalization. Since the initial rescheduling with the IMF in 1989, Jordan has made clear its desire to meet the Fund's requirements. The government has cut spending and subsidies, devalued the dinar, and imposed a series of new taxes to meet IMF demands. However, it has sought to craft its policy responses in such a way as to spread the burden as broadly as possible, and to attempt to provide at least a minimal safety net for the very poorest, both Palestinian and Transjordanian. While the number of those Jordanians living below the poverty line has clearly increased, there has not been further unrest since April 1989.

A key element in the strategy of spreading the burden has been the political liberalization process. The regional boom of the oil era had enabled the government to coopt some important sectors of the population through economic opportunity and others through state employment and/or subsidies. However, as oil state largesse waned, the financial underpinnings of such a governing strategy were gradually undermined. When the regime had to confront the fact that it would have to extract more revenues from its own population, it was forced to offer them a greater voice in what had been a closed and often repressive system.

In Jordan, there is an ethnic overlay to these processes: the state sector is largely Transjordanian and the private sector is largely Palestinian. The shift from distributor to extractor that underlies the political economy of the regime change in the Kingdom implies a gradual shift in the regime's underlying power base from the public to the private sector, although at present even the private sector is heavily dependent upon government contracts. In both economic and political liberalization, then, it is the Transjordanian sector that stands to be the biggest loser. As the state attempts to broaden its private sector base, one should expect the

state bureaucracies, through a variety of direct and indirect means, to fight to hold onto their power.

The key questions are: 1) How, and how far, does the King intend to proceed with the liberalization processes? 2) To what extent and how can he move ahead on either front without increasing intercommunal or socio-economic tensions to a point that might make both processes seem largely irrelevant? 3) How do foreign forces impact domestic decision making? By providing tentative answers to these questions, we hope to be able to identify political constraints to development in Jordan.

The King is engaged in a domestic balancing act in which one axis balances the Transjordanian/state sector versus the Palestinian/private sector, while the other axis balances demands from below (now largely supporters of the Islamists) against the "King's Men," the Transjordanian and Palestinian elite (Figure 1). The King's maintenance of his balancing act is key to preserving domestic stability.

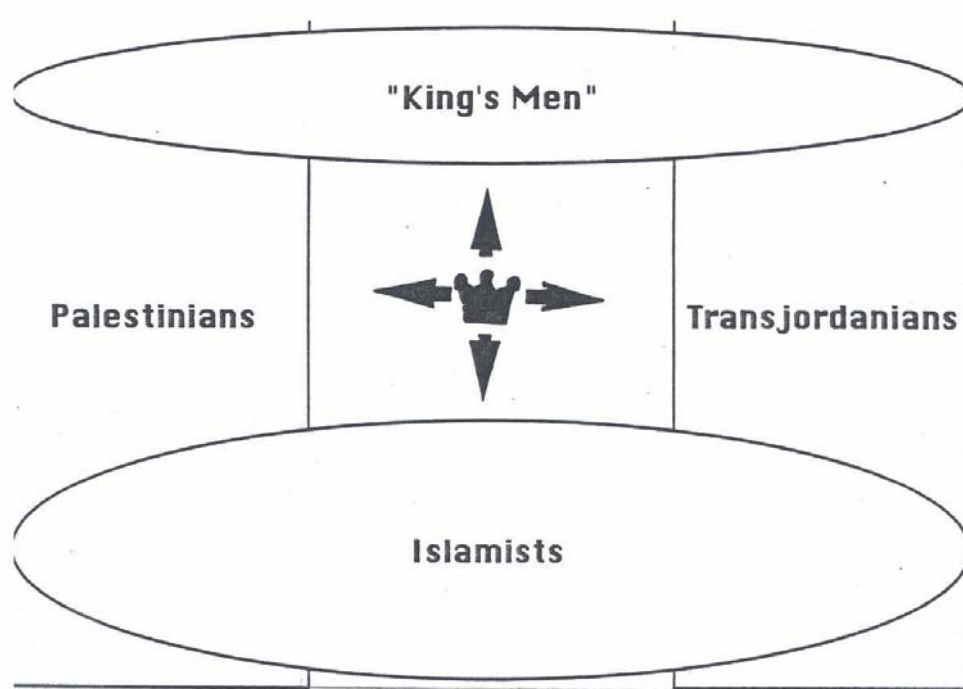
His task is made more difficult by the need to balance dangerous external forces; in particular, he faces the complex task of maintaining domestic stability while pursuing the peace process. Relations with the PLO, with Israel, with Syria, and with the U.S. dominate this process, but the Saudi and Iraqi connections also must be weighed. The peace process presents a grave challenge for the King: on the one hand, he recognizes (and has long recognized) the necessity of peace for both political stability and development. He is committed to peace, but survival requires that he not take the lead. A peace agreement would greatly lower tensions, strongly promote private investment and job creation, and dramatically increase foreign resource inflows. On the other hand, peace holds dangers: it would provide an additional "tilt" toward Palestinians at the expense of Transjordanians and would face serious challenge from Islamists. Pursuing peace while simultaneously hedging against its risks further complicates the King's balancing act.

Note to the Reader:

Because of the centrality of the Palestinian/Transjordanian split, when discussing an interest group or other social actor, we frequently identify Palestinians as (P) and Transjordanians as (T) in this document.

Figure 1

The Balance of Opposing Domestic Forces in Jordan



SECTION II ECONOMIC DEVELOPMENT PROBLEMS

Jordan has always suffered from a weak domestic economic base and a resultant heavy reliance upon external grants and loans. The country has few natural resources, whether of land, of water, or of minerals. Its one major resource, its population, has been growing rapidly, which compounds problems of job creation, food security, and provision of urban infrastructure. These structural features of the economy have interacted with policy decisions to create additional difficulties:

- A large public sector
- A small private sector with an even smaller industrial component
- Chronic trade imbalances
- Substantial foreign debt

Jordan is a resource-poor country. Only about 5 percent or 528,000 ha. of Jordan's land is arable, 40,000 ha. of which is irrigated land in the Jordan valley. Such a situation limits the possibilities for the expansion of agricultural production, a major Jordanian export and hard currency winner. In 1986, state land was provided in the south for development by the private sector; however the vast majority of cultivation takes place in the irrigated Jordan Valley or the rain-fed uplands in the center and north of the country. Much prime rainfed land around Amman and Irbid has been lost to urbanization. In 1990 agriculture contributed only 7.5 percent to GNP and, although largely labor-intensive, occupied only 7.3 percent of the workforce.

The agricultural sector has suffered from poor marketing and management. Crop planning has recently been introduced, though incentives to farmers to diversify have been somewhat neutralized by the offer of guaranteed prices for such glut crops as tomatoes. In the process, however, Jordan has become a net food importer, and the size of the food import bill (some 18 percent of imports) ensures that agriculture will continue to be regarded as a strategic sector.

Jordan suffers from chronic water shortages. This problem appears to be one of both supply and pricing. The largest consumer of water is agriculture (70 percent in 1990), while household consumption accounted for 24 percent of consumption. A system of water pricing that heavily subsidizes water use by wealthy, influential, and largely Palestinians farmers in the Jordan Valley has apparently led to poor water management, which has meant a greater likelihood of shortages elsewhere in the Kingdom. The continuation of the Arab-Israeli conflict has meant that regional arrangements for exploitation of shared rivers such as the Jordan and the Yarmuk have been impossible to conclude, although it is generally recognized that a regional solution to the water problem is required.

Jordan is not a mineral-rich country. Although the country does have substantial deposits of phosphates and potash, these products are more likely to suffer from price fluctuations than would industrial exports. Unlike its neighbors, Jordan is not a major oil producer. Modest

quantities of crude oil were discovered in 1983, but Amoco and Hunt oil withdrew from prospecting in the country in 1989. Oil imports have continued to be a major drain on the economy and on foreign currency. Until 1985 the Kingdom had one supplier, Saudi Arabia, which helped to subsidize Jordan's petroleum needs. In 1985, Iraq began supplying oil as well. However, the perils of excessive supplier dependence became clear when the Saudis closed the pipeline because of King Hussein's stance during the Gulf crisis (EIU, 92-93).

Jordan's principal resource is its people. To its credit, the government has made substantial investments in human capital formation. In 1989, health and educational expenditures were some 18 percent of budgetary spending and 8.5 percent of GDP. Health conditions in the country are among the best in the region; Jordan's primary (93.3 percent) and secondary (65 percent) enrollment rates are the highest in the Arab world (World Bank, 1991).

Unfortunately, past and continued population growth threaten to undermine these achievements. Jordan's population was estimated at 3,453,000 in 1990, prior to the influx of 200,000-300,000 expatriates who returned from Kuwait in the wake of the Iraqi invasion. The current 3.4 percent birth rate represents a decline from 3.6 percent several years ago. Fertility levels, while high, have also been declining, from 7.4 in 1976 to 5.6 in 1990. Demographic momentum, however, means that over the past ten years school enrollment rates have grown by nearly 4 percent a year.

Further, quality problems in the educational system raise expectations without providing skills which are truly competitive in international comparative perspective. The problem appears to be especially acute at the university level, where a combination of rising enrollments and declining expenditures has seriously jeopardized educational quality (World Bank, 1991). The result is increasing pressure on government educational budgets, high unemployment among graduates, and mounting frustration. This situation poses a serious challenge to political stability.

The Jordanian labor market combines relatively high levels of unemployment with labor imports. Unemployment among the unskilled seems to be concentrated among relatively elderly illiterates (World Bank, 1991). This is presumably because of the premium which unskilled labor markets place on physical strength. The other, more politically relevant dimension of unemployment is that of graduates, at least one-fourth of whom do not have a job.

Jordan is also a labor *importer*. In 1991 it was estimated that there were 165,000 non-Jordanians in the country, only 21,000 of them legally (EIU, 92-3). Foreign laborers, largely from Egypt and South Asia, fill jobs in the construction, agricultural and domestic help sectors that Jordanians have traditionally eschewed for cultural and low wage level reasons. Despite graduate unemployment, family support allows graduates to avoid the social stigma of less-skilled labor.

Jordan would have faced unemployment problems much earlier had the country not been able to rely in the 1970s upon the out-migration of some one-third of its labor force, largely to the Arab oil states of the Gulf region. In 1987 it was estimated that some 325,000 Jordanians were

working abroad, while the domestic work force stood at 550,000 (EIU, 88-89). At that point, unemployment was officially reported to be 10 percent, although the official statistics likely represent under-reporting. Since the 1991 Gulf war employment in the oil states has been closed to Jordanians.

The only plausible medium to long term solution to the employment problem is from domestic industry. However, at present, Jordan's manufacturing sector tends to be organized in small-scale operations with small workforces. It contributed 14.9 percent of GDP in 1990 (up from 11.6 percent in 1985). Together with mining it accounted for 10.2 percent of the workforce in 1990. The small size of the domestic market has been a significant constraint on sector development. Wholesale and retail trade represent about the same contribution: 13.9 percent of GDP in 1990 (down from 17.5 percent in 1985) and 10.1 percent of employment.

While there are complaints about bureaucratic red tape, it appears that regional stability is the major constraint on greater business investment in Jordan. The government has been active in trying to improve the general climate for the private sector, in particular, through substantial investments in infrastructure. In turn, much private sector activity in Jordan has relied on state contracts. So far, the private sector has not been an engine of growth, either for output, for jobs, or for exports.

Jordan has long suffered from chronic trade imbalances: \$1,713.0 million in 1988; \$1,039.2 million in 1989; \$1,535.7 million in 1990; and \$1,379.99 million in 1991. Part of the trade imbalance derived from an excessive consumerism and consumption of foreign goods, many of them luxury items. However, the trade deficit is largely structural, deriving from the small manufacturing base, the paucity of natural resources, and the net food importing requirement (EIU, 92-93). The 1988 devaluations of the Jordanian dinar helped to cut the trade deficit, however, an expansion of the domestic manufacturing base, both for export and import substitution production, appears to be key to further reducing the trade imbalance.

The consequence of prolonged trade imbalances was the accumulation of international indebtedness. From 1984 to 1988 the proportion of public and publicly guaranteed foreign debt to GNP rose from 59.3 percent to 95.1 percent. The debt service ratio increased from 13.8 percent to 29.8 percent during the same period (EIU, 92-93). The repayment burden eventually became unsustainable and the IMF was called in spring 1989.

Jordan has long relied on foreign aid to sustain capital investment, whether for the military or infrastructure. In 1989, Official Development Assistance (ODA) was some 6.3 percent of GNP, the highest ratio in the region (World Bank, 1992). In the 1980s, lower liquidity levels among Gulf oil states led to a significant drop in aid to Jordan. While the Gulf states did promise assistance in the wake of the 1989 economic riots, transfers ceased upon Jordan's refusal to support the anti-Iraq coalition in the 1991 Gulf war. It seems unlikely that such aid will be resumed in the near future.

In summary, the Jordanian state faces mounting economic problems with profound political implications. On the one hand, an ever-increasing number of educated young people

are entering the labor market. On the other hand, the resources under the direct control of the government for addressing this problem are increasingly severely constrained. The logical solution is to expand the role of the private sector; such a policy shift however carries significant political risks. The risks of reform are heightened by Jordan's dependence on regional and international events *beyond its control*. All attempts at reform unfold against the backdrop of ongoing Arab-Israeli tensions, other regional conflicts such as the Iran-Iraq and Gulf wars, as well as the vagaries of the international oil and commodities markets.

SECTION III

THE EXPERIENCE OF POLICY REFORM TO DATE

A. Economic Reform

The need for economic reform, particularly by cutting bureaucratic red tape that constrained private sector activity and investment, was apparent to policy makers by the mid-1980s, but real progress did not begin until the economic crisis of 1988-89. The original agreement reached between the government and the IMF reportedly called for a reduction of the budget deficit; a reform of the tax system; a tighter credit policy; a more prudent debt management and borrowing policy; a decrease in the rate of inflation; an improvement in the current account to a balanced position in 1993; the building up of foreign currency reserves to cover three months' worth of imports (EIU, 3/89).

The government was clearly committed to meeting the conditions of the agreement with the IMF. And, despite extensive MP railing against the agreement, at no point did any MP or group of MPs come forward with an alternative plan. When it came time to pass the 1990 budget, there was no attempt by parliament to advocate increased spending as a way out of such problems as unemployment. Hence, in effect, the parliament gave its endorsement to the IMF package (EIU, 2/90).

Despite the government's good faith in its implementation of IMF conditionality, the Gulf crisis effectively undermined the original timetable of reforms. In the first place, thousands of refugees flooded into Jordan. The Kingdom's political position on the crisis further exacerbated the situation, since coalition states were disinclined to alleviate Jordan's refugee problem. The embargo against Iraq deeply hurt Jordan's commercial, industrial, and overland transport sectors. The blockade of the port of Aqaba led shippers to avoid using it even for other purposes. Jordan also lost its Kuwaiti and Saudi markets as well as Gulf state aid because of the Kingdom's failure to join the anti-Iraq coalition. The regional instability also cut into Jordan's increasingly important tourist trade. Assessments of the economic impact of the crisis on Jordan range from \$1.7 to \$5 billion (EIU, 92-93).

The Gulf crisis also caused the budget deficit projected for 1991 to jump by JD 121.7 million to JD 216.7 million. As a result of these economic dislocations, Jordan put a moratorium on the payment of its rescheduled debts, a situation about which the IMF was reportedly very understanding. An IMF team arrived in Jordan in mid-September 1991 to prepare a new letter of intent and a new agreement was announced in October 1991. Jordan has largely fulfilled the terms of this obligation; economic reforms are "on track."

B. Political Reform

Political reform in Jordan must be seen as a part of the King's survival strategy. Before 1989, he was able to follow a different approach. Until April 1989, Jordan was ruled by a traditional authoritarian monarchy. Political parties had been outlawed in 1957 and martial law had been in place since 1967. Since early in the Kingdom's history the largely Transjordanian army and security services have played a major role in regime maintenance. Gradually a Palestinian commercial bourgeoisie also emerged, the upper levels of which came to form a second pillar of regime support.

The formula that underpinned the authoritarian system had two primary parts. The first was the "purchase" of the quiescence of those most likely to seek political expression (the Palestinians, see below) through providing an atmosphere conducive to making money. The second was a variation on the familiar "no taxation without representation" line: as long as the Jordanian state played the role of allocator (providing services, subsidies and employment) rather than extractor (through taxes), demands for political participation or effective political expression would be few and easily contained.

The economic crisis that developed in 1988 undermined both these formulae. The survival strategy that the King adopted under such circumstances was to embark on a gradual process of political liberalization ushered in by parliamentary elections. Shortly after the riots and the announcement of a date for elections, the political atmosphere began to be relaxed considerably. Political parties remained officially illegal, but those with political pasts were not prevented from standing for election.

Immediately after the elections a series of more thoroughgoing political liberalization measures began to be enacted. Passports, traditionally withdrawn from citizens for illegal political activity, began to be returned, and political prisoners were released (although this had begun under the transitional cabinet). Travel restrictions for political activity were suspended and Jordanians banned from writing were allowed to publish again. New publications began to appear and formerly banned ones made their way into the Kingdom unimpeded for the first time. The requirement that people receive clearance from the internal security before being hired was terminated and those who had lost their jobs for political reasons began to be reinstated.

Additional reforms had to await the end of the Gulf war. First, the National Charter, a document called for by the King to serve as a basis for the regulation of state-society relations, was formally approved in June 1991. The palace had solicited the participation of sixty professionals and politicians from across the political spectrum in drafting the document. In its final form it served as a reaffirmation of the monarchy and the basis of a new political opening for the development of civil society institutions, most notably, political parties. Second, on 7 July, he took another major step by issuing a royal decree which ended martial law. Third, the passage of a new political parties law came in late summer 1992. Since then more than a dozen political parties have been licensed.

Political parties now openly operate headquarters and produce publications. They have begun to serve as channels for freer political expression. They are therefore key outlets for political sentiment in a context of reforms which are producing winners and losers.

SECTION IV

SOCIAL ACTORS: WINNERS AND LOSERS

The processes of both economic and political liberalization imply significant shifts in the distribution of resources and power which enable certain groups to improve their position, while others find their influence undermined. In the Jordanian case, in examining the question of winners and losers in the liberalization processes two basic cleavages must be kept in mind: Palestinians versus Transjordanians and the public versus the private sector. Other important actors with interests at stake in the liberalization processes are the army, organized labor, and business and industry.

A. Basic Cleavages

A1. Palestinian vs. Transjordanian

When Palestinians were first expelled to the East Bank during the 1948 war, there was already a population of about 450,000 Transjordanians—bedouin, settled agriculturalists, and merchants—living in the Kingdom. Some Transjordanians were of original East Bank stock, and those from the bedouin tribes of the south had risen to prominence in the armed forces. Others, such as the Circassians, had been brought by the Ottomans to Transjordan at the end of the 19th century. Settling primarily in the Amman area, they developed very close ties to the monarchy and came to play a prominent role in the internal security forces (*mukh_bar_t*).

In 1948 some 70,000 Palestinians went directly to the East Bank. Another 720,000 were added to the Kingdom when it annexed the rump of Eastern Palestine, now known as the West Bank, in 1950. Despite the fact that all of the Kingdom's new Palestinian residents were offered citizenship, from the beginning of their association with Jordan many Palestinians felt no identification with, indeed, felt antagonism toward the state.

An institutional forum for expressing their opposition to the state did not really emerge until after the 1967 war, when the Palestinian guerrilla organizations took control of the Palestine Liberation Organization (PLO). This development of a "state within a state" eventually led to armed clashes and an all-out assault by the Jordanian army against the Palestinians in September 1970.

The civil war left deep scars of intercommunal distrust. Transjordanians viewed Palestinians as outsiders and potential traitors; Palestinians viewed Transjordanians as indistinguishable from the state and its security apparatus. Moreover, thereafter, the Jordanian state began a policy of implicit but clear preferential recruiting of Transjordanians into the bureaucracy. As a result, Palestinians came increasingly to understand that their realm was in the private sector.

A2. Public vs. Private Sector

The state—whether the army, civil bureaucracy or public corporations—has long counted close to 50 percent of the active Jordanian labor force on its rosters. These employees are usually exclusively dependent upon their relatively fixed state salaries and the variety of state subsidies on basic commodities, including access to consumer cooperatives for those with family members in the military. Any attempt to cut subsidies, to reform the bureaucracy or to privatize public corporations threatens the livelihoods and economic interests of this significant sector of Jordanian society.

The private sector, on the other hand, was an area in which there was money to be made: in real estate, importing and exporting, and finance. It is a much smaller sector than the public sector and has traditionally contributed a much smaller proportion to GDP. The upper stratum of this sector gradually emerged to constitute a second pillar of regime support (in addition to the army).

The division between public and private sector becomes even more salient when one remembers that the other major division in Jordanian society, that between Palestinians and native Transjordanians, corresponds roughly to the private-public sector division, especially since 1970. The economic downturn has only exacerbated the standing antagonisms between the two communities, as the Palestinians are viewed as the community with the wealth (the large numbers of poor refugees notwithstanding).

B. Impact of Economic Liberalization

The economic austerity measures have been particularly hard for the poor and the middle classes, who suffer most from inflation and subsidy cuts. These classes both have significant Transjordanian (T) and Palestinian (P) components. While steep price increases for luxury foods and services could be borne by cutting back on consumption, figures indicate that the prices of essential goods have risen most steeply. Foremost among these was the category of clothing and shoes, which, at the end of April 1990 had risen by 38.9 percent over the previous 12 months. Next was food and beverages, which rose by nearly 21.4 percent over the same period, and which, in contrast to clothing and shoes, was rising well in excess of the overall inflation average for the first third of the year. The real cost of living increase in 1989, for example, may well have been between 35 and 40 percent rather than the Consumer Price Index estimates of 10-15 percent (EIU, 3/90).

Although the Gulf crisis made life even more difficult, the surge of political fervor led Jordanians (P&T) to be willing to bear the hardships. Fortunately for the King, his legitimacy rose at a time when it was sorely needed to reinforce support for the state.

B1. The Urban Poor

Before the recession took hold in the mid-1980s, it was estimated that 25-30 percent of the Jordanian population lived below the poverty line. The largest numbers were urban dwellers

(largely P, including refugee camps that have now become part of urban areas). The urban poor are likely to be those employed in petty trades, the unemployed or underemployed, many of whom are unskilled or semi-skilled laborers. All reports indicate that the percentage of those living below the poverty line has continued to increase. Per capita income fell from \$1570 in 1985 to \$980 in 1990 and was expected to continue to fall. At the same time, inflation rose an estimated 26 percent in 1989 and 16 percent in 1990 (EIU, 92-93). Unemployment, estimated at 20 percent at the beginning of August 1990, subsequently rose to at least 30 percent, with more than 200,000 Jordanians out of permanent work.

The state has attempted to provide elements of a safety net for the poor. For example, in February 1992, fuel price increases were structured so as not too heavily to penalize low income families. The government also announced that families with monthly incomes of less than JD 300 would be compensated up to JD 100 at the end of a year on the higher cost of central heating (EIU, 2/92).

While statistics are not available, it appears that economic hardship has been an important element in attracting members of the lower classes, (both P&T) to Islamist organizations.

B2. Bureaucrats (T)

Public servants (T) have faced increasing economic difficulties in recent years. Taking into account inflation versus increases in spending over the years 1989 and 1990, current real spending fell by over 15 percent during this period. The economic hardship on state employees was even greater than these figures imply because many had not received pay raises since 1983 (EIU, 1/90). To offset the impact somewhat, by early 1992 money had been found in the budget for pay raises for public servants. The government also included provisions for pay increases and the creation of as many as 6000 new jobs in the 1992 budget (EIU, 1/92).

B3. Shopkeepers (P)

Owners of small businesses and shop owners (largely P) have also suffered from the economic downturn. What had been ordinary expectations, such as a foreign education for children or the purchase of a new foreign car, suddenly were out of reach (EIU, 3/89). Moreover, for those with savings, accounts were likely to have been in dinars and hence, with the devaluation, were in effect cut by about one-half.

Again, economic hardship in this sector has enabled Islamist organizations to recruit among this groups as well, perhaps more so among the Palestinian component.

B4. The Army (T)

Over the years, much of the external aid Jordan received has gone to the military. The King's interest in the economy is reportedly largely focused on his concern for keeping the defense forces satisfied. Nonetheless, at the end of March 1989, the government announced that

it was indefinitely shelving plans to purchase eight ground attack Tornado aircraft, worth between £400 and £500 million.

In 1991, in more sweeping measures dictated by Gulf crisis economic woes, Amman canceled its billion-dollar contract for Mirage fighters, and even attempted to sell some of its F-5 fighters and M-48 tanks to generate revenue. In mid-1991 the King commissioned a review of the Jordanian armed forces, emphasizing "quality and balance rather than quantity" (EIU, 3/91). Universal military conscription was abandoned, and the number of men under arms declined from 130,000 at the beginning of 1991 to 107,000 at the end, with further declines (to 95,000) expected by fall 1992 (Sadowski, pp.44-45).

Thus, the military has not been immune to cuts, but for reasons of regime as well as external security, it will continue to be handled very carefully. It is clearly not a winner in the liberalization processes, but the government appears determined to insulate it from many of the effects of "losing." The King has traditionally had a very close relationship with the army. Continuing close consultation will be key to reassuring the leadership of the monarchy's commitment to the excellence of the institution in the face of budget cuts. The focus on quality (rather than quantity of forces) is no doubt a formula to continue to provide resources to a key core constituency. The termination of universal conscription (instituted only in 1976) frees some resources for this purpose. In addition, the military budget remains outside Parliamentary scrutiny, thus leaving some room for government discretion in allocation of funds.

B5. Organized Labor (P&T)

Labor in Jordan is organized into 17 unions, all of which belong to the Federation of Jordanian Labor Unions (FJLU), representing about 130,000 workers. A few unions represent only the private sector (Union of Private Educators) or only the public sector (Union of Municipal Workers and the Union of Mines and Mining Workers). However, most represent workers from both sectors or from mixed sector companies.

During the long years of martial law, labor was severely coopted and repressed, with arbitrary dismissal and intimidation the rule rather than the exception. As a result, despite a range of complaints, there was little unrest. Since the economic crisis of fall 1988, the wage labor sector of the economy (P&T) has been hard hit by inflation, salary and benefit freezes or cuts, increased government fees and reduced general subsidies.

At the beginning of 1990, some of the larger, successful and specialized Jordanian companies came under pressure from their work forces, which were dissatisfied with the policy of freezing the nominal rates of pay in the public sector. In mid-February 1990, nearly 1000 Jordanians staged a sit-in at the headquarters of the FJLU in protest at private employers who disregarded labor ministry instructions giving employment priority to local labor (EIU, 2/90).

Nonetheless, such occurrences were relatively rare given the extent of working class suffering in a more liberal political climate. The long tradition of regime repression of organized labor has meant that even in a period of political liberalization and economic austerity the unions

have not been as vocal in pushing for demands as one might otherwise have expected. In the past, in their battles with employers or the government, the unions could at times count on the moral and financial support of some of the professional associations. That support continues. Nonetheless, labor has been a loser, but remains relatively powerless to change its fortunes.

B6. Businessmen and Industrialists

The business community in Jordan may be roughly divided into commercial (import/export) and industrial sectors, but such a dichotomy is somewhat misleading. Industrialists are largely merchants who, with accumulated capital, were able to branch out into industry. While there is more differentiation today than there was a decade ago, there is still a great deal of overlap of ownership in the two sectors. Hence, many businessmen will be conflicted about government policies, which may help one branch of the family business while harming another. In general, the import/export sector tends to be Palestinian. One can also point to what appears to be a disproportionate number of industrialists who are Transjordanian Christians, primarily from the northern part of the country. It is worth mentioning, that the sense of being *Jordanian* (as opposed to Palestinian or Transjordanian) is stronger among the commercial and industrial bourgeoisie, than among any other group. The perception of these sectors by other sectors of society, however, is different.

There is also a small business sector, all of whose members are also required to join the chamber of commerce or industry. They are not the power behind these organizations, and they have less to shield them from the impact of government policies than do their wealthier counterparts. As a result, it is important to keep in mind the resentment that many small businessmen feel toward the big industrial and commercial families. Here, communal solidarity is largely forgotten.

Many of the larger farmers would also fall into this group. Wealthy Jordan Valley farmers produce fruits and vegetables for sale at home and abroad; they have enjoyed significant subsidies on inputs and produce for a protected domestic market. Some of them are also agribusinessmen, having entered marketing. Many of the land-owners in the Valley are from the Adwan tribe, which is also well-represented in the Army. Especially in the northern Valley, farmers are often of Palestinian origin. The Jordan Valley farmers are a significant constituency which must be taken into account in formulating agricultural and water policy.

B7. Other Agriculturalists

We may divide those in the agricultural sector into five groups: 1) well-to-do larger farmers and agribusinessmen; 2) small farmers with farms large enough to produce an income roughly equivalent to the national average; 3) small farmers who must supplement their income from other sources; 4) agricultural laborers; 5) the bedouin population. There are, in addition, very important differences between farmers in the Jordan Valley and in the Uplands, farmers with access to irrigation and those entirely dependent on rainfall, and people wholly or partially dependent upon livestock. About one in five Jordanians is significantly dependent on agriculture for income.

In 1983 (the most recent data available) roughly two-thirds of the cultivated area was owned¹ by the top 20 percent of owners. The bottom 60 percent of owners held 14.7 percent of the land area, with the fourth quintile holding 20 percent of the area. (IFAD, 1992). These groups correspond, roughly, to the well-to-do farmers, those who must supplement their incomes, and the approximately self-sufficient farmers. Farm fragmentation is common, and is an especially acute problem in rain-fed areas. The problem has recently been exacerbated by the return of Jordanians from the Gulf, which has increased the demand for small farms.

The size of an economically viable farm varies with land-quality, whose fundamental determinant in Jordan is access to irrigation. Roughly 24-27 percent of the cultivated area is irrigated, with irrigation predominant in the Jordan Valley. Most Jordan Valley farms can produce an income equivalent to the national average. By contrast, only 5 percent of Upland (rainfed) farms are larger than 110 dunums, considered the minimum size needed to generate the median income for a Jordanian family.

Supplementary irrigation has spread rapidly in the Uplands, leading to a substantial expansion of fruit orchards. On the one hand, such a development is to be welcomed, since it raises family income. On the other hand, the expansion of such irrigation poses important problems for maintaining the aquifer: many experts believe that excessive drilling has occurred during the past decade and that the underground aquifers are being over-utilized. Most small upland farmers have non-farm sources of income, and part-time farming is common. Non-agricultural income sources also expanded rapidly for Jordan Valley inhabitants during the past decade.

Agricultural laborers in the Jordan Valley are by now largely non-Jordanians, with Egyptians and Sudanese predominating. Workers in the Uplands are more typically Jordanians, but foreign labor is also spreading in the range-lands, where the hiring of Syrian shepherds has spread in recent years.

Rural sociologists divide the bedouin population of the steppes into settled, semi-settled, and transhumant or year-round nomads. The large majority of the bedouin are at least partly settled; semi-settled and settled families comprised 62 percent of the bedouin population in the North, 95 percent in the Center, and 80 percent in the South of the marginal rain-fall areas. Overall, only about 10 percent of the bedouin remain full-time nomads. The settled and semi-settled majority engage in mixed farming and non-farm activities. For example, semi-settled bedouin get half of their income from livestock, 20

1 The large majority of "owned" agricultural land in Jordan is *miri* land, or land which is privately owned, inheritable, salable, but to which the State may apply a variety of restrictions in order to promote the public interest: "The government can, in theory, repossess the land on the grounds of severe dangers to soil fertility caused by unchecked erosion and excessive fragmentation." (Nesheiwat, 1992, p. 84).

percent from farming, and 30 percent from other sources. (Nesheiwat, 1992). There is also a significant, powerful minority of wealthy bedouin, usually tribal chiefs and elders, who have managed to acquire significant property rights in land by fencing and ploughing land. These moves are reportedly often resented by their less-fortunate neighbors.

The land tenure situation in the badia remains highly complex; it is apparent that the current system creates significant incentive problems, such as abuse of common property resources, but tensions within the bedouin community, and the key role this community plays in core state institutions such as the army, have defeated all previous attempts to institute more economically and ecologically rational systems of property rights in marginal lands.

C. Policy Impact

In its initial response to the 1989 debt rescheduling agreement, Jordan imposed import restrictions and devalued the dinar. These measures hurt Jordanian industrialists, who depend on the importation of raw materials for production, as well as importers who found some of their wares either more expensive or else banned. On the other hand, the devaluation of the dinar in 1989 boosted earnings from exports. Farmers (particularly those of the Jordan Valley) and agricultural middlemen were quick to exploit the situation, expanding the market for Jordanian off-season vegetables and fruits in the Gulf.

The fuel price increases in February 1992 hit light industry disproportionately (heavy industries had been forced to pay the higher prices two years earlier). The manufacturing sector criticized the move, arguing that the increases would make them less competitive in the regional market at a time when they should be taking advantage of cheaper labor and a more favorable exchange rate (EIU, 2/92). The example in the text box illustrates the effect of certain economic reform measures on the private sector.

If revenue raising measures hurt Jordanian business, what about other elements of reform? To a certain extent, liberalizing the economy promised to remove red tape and give the private sector a boost. However, industrialists have long depended upon a variety of tax breaks and customs barriers to protect their businesses. Moreover, many private sector companies are directly dependent upon government contracts. Hence a retreat of the state from such involvement in the economy could well prove threatening. In addition, some very large businesses involved in importing subsidized commodities have been able to make hefty profits due to their monopoly position domestically and due to the fact that they are in effect ensured against normal market risks through state purchasing guarantees and insurance.

Thus, business cannot across the board be described as a winner or a loser. Elements that harm as well as encourage the private sector are to be found in the current set of reforms. Perhaps the most important fact is that those outside the private sector see it as a winner.

Effect of Consumption Tax on Private Sector

A new consumption tax was introduced in Jordan at the beginning of November 1991, which enraged the manufacturing community and spawned a wider debate about using such instruments for reducing the budget deficit. A 5 to 20 percent tax on locally produced goods was introduced to raise more domestic revenue in order to narrow the deficit. Local industrialists were furious, regarding such a move as likely to reduce their profits or, if the tax was passed on, to dampen consumer demand. Local manufacturers believed that there would be a loss of competitiveness in comparison with imported goods, many of which were simultaneously benefiting from lower levels of duty. Industrialists were particularly angry that the government had acted without consulting them.

After a heated national debate, a compromise was forged. The basic tax was still to be applied. However, in order to avoid the burden of dual taxation it was agreed that industrialists would not pay the tax if they had already paid duty on manufacturing inputs. The Ministry of Finance also agreed to exempt goods for supply to civil service and military shops, where a preferential pricing policy applies. The government also agreed to relax the monitoring of the implementation of the tax, which was originally to have required the posting of a government representative in each factory.

Certainly the upper tier of merchants, industrialists, agribusinessmen, and wealthy farmers--the Jordanian bourgeoisie--constitute a critical interest group in Jordanian society. These "King's men", drawn from both communities, have strong ties to the regime and to some extent have submerged their ethnic (P or T) identity into a sense of being "Jordanians." Their views must be considered by top decision makers; they are critical allies of the King on issues ranging from the Islamists to the Peace Process. He will be very reluctant to alienate them by adopting economic policies which seriously jeopardize their interests.

D. The Impact of Political Liberalization: Palestinians and Transjordanians

The strong clan and tribal ties that bind Transjordanian society combined with the close links many of these tribes have traditionally had with the state have meant that in a certain sense, the state was "the party" of much of the Transjordanian population. They felt themselves of, courted by, or represented in the state and its bureaucracy.

For Palestinians, however, the situation was quite different. One of the key effects of the political liberalization process has been to open the door to the further enfranchisement of the Palestinians (although the policy has never been explained or defined this way). King Hussein's July 1988 disengagement from the West Bank removed a major source of antagonism between Jordan and the Palestinians. The beginning of liberalization further eased relations. The King's stance on the Gulf crisis, embraced by both Palestinians and Transjordanians, further solidified Palestinian support. It was also clear that as part of the general liberalization, the voice of the private sector (P) and the traditional political opposition (largely P) would be given greater weight, just as the security bureaucracy (T) was expected to retreat.

As a result, Transjordanians, who have long feared being engulfed by the Palestinians, have grown more suspicious. Anxiety only increased with the beginning of the peace process: if peace is reached, the role of the army (T) and security forces (T) could well be even further downgraded. Moreover, the discussions of confederation between a Palestinian entity and Jordan mean facing the possibility of Transjordanians being numerically overwhelmed in a future state. Results of a poll published in February 1993 indicated that 54.2 percent of Jordanians (no breakdown between P and T) opposed a federation between Jordan and Palestine (FBIS 12/2/93).

The King must carefully balance relations with the two communities' so as to mitigate the losses felt by Transjordanians. The liberalization process does afford all Jordanians more opportunities for articulation of frustrations and grievances. It should therefore help to diffuse some inter-ethnic tensions.

V. THE DECISION-MAKING CORE OF THE STATE

The state is the fulcrum of the complex balancing act that characterizes politics and policy making in Jordan. Several state institutions should be examined: the monarchy, the cabinet, the bureaucracy, and the Parliament. It is evident, however, that not all of these institutions are equally powerful. In particular, the monarchy remains the key to the entire process. Access to the monarchy and its executive agencies, the cabinet and the bureaucracy, has traditionally been via personal ties and informal access. To some extent, recent political reforms have strengthened a somewhat more formal mechanism of access to the seat of power by upgrading the role of parliament. However, there remain significant limits to this process.

A. The Monarchy

Jordan is a constitutional monarchy, where the King not only reigns, but rules. Even since the liberalization, on issues of real substance or security, the King may be expected to have his way, regardless of what parliament may say. Part of the reason the King is able to continue to hold such power derives from his broad public support and legitimacy. He has traditionally enjoyed wide legitimacy among the East Bank population, among the upper sectors of the Palestinian bourgeoisie, and among devout Muslims because of his claim to common lineage with the Prophet Muhammad. His initiation of the political liberalization process in 1989, and his subsequent refusal to join the anti-Iraq coalition in 1990 have won him increased support, even among sectors of the population who had long been skeptical or hostile. The King is truly the center of the Jordanian polity.

Jordan is a small country in which it is little exaggeration to say that everyone knows or knows of everyone else. In such a setting, traditional bases and informal channels of information transmission have been the most important in influencing the King's (and the crown prince's) decision making. Both men have and continue to hold periodic meetings with heads of important tribes and families. They also regularly consult with the army—not about strategy, but about its needs—in order to keep it content. There is also a circle of advisors, of somewhat shifting membership, which may gain the King's ear on certain issues. Early in the liberalization process, the King and his top advisors did hold meetings with the leaders of Jordan's long-illegal political parties.

Since political parties have only recently begun to be legalized it is perhaps too early to determine whether the King will hold regular consultations with political party leadership as well as with the traditional constituencies. But it is the case that informal channels of influence have been and continue to be more important than pressures or ideas that may percolate up through the parliament, for example. Recent reforms by no means challenge the monarchy's fundamental dominance of the entire political process.

B. The Cabinet

During the long years without elections, the King selected a prime minister and a cabinet, and then shuffled or dismissed members in accordance with his preferences. Even since the beginning of liberalization, the King chooses the prime minister and forms the cabinet, not the party that won an election. Nor is there legal provision for this to change even if and when political parties achieve such a following that deputies are elected on the basis of party affiliation. The most recent cabinets have seen more of their members selected from among the elected parliamentary deputies than was the case before liberalization, but the King is bound by no such requirement.

Cabinet ministers and the prime minister are much more likely to be influenced by pressures emanating from informal channels (both P&T) than from the parliament or the bureaucracies below them. The activism of the industrialists in attempting to lobby the Minister of Finance as a formal association, rather than as individuals, to relent on the consumption tax (discussed above) is a notable exception, but perhaps one that indicates what the future holds. In general, however, the power of the prime minister has been only as great as the confidence of the King in him, and perhaps further supported by his networks of social, familial, or economic ties that extend into the bureaucracy and society more broadly. The same is true of the power of individual ministers, who are chosen, not necessarily or usually because of their competence in a particular sector, but because they help bring a regional, communal or religious balance to a cabinet.

C. The Bureaucracy

A detailed analysis of the bureaucracy needs to be completed. Here we simply note that the bureaucracy remains a key state institution because of the financial demands it places on the government, because of its Transjordanian composition, and because of its centrality to implementation (or obstruction) of reforms. Jordanian policy makers, advisors and businessmen alike, have a long litany of complaints against mid-level bureaucrats whom they accuse of thwarting attempts at economic or administrative reform. In a climate of increased political and economic uncertainty, particularly for those with fixed salaries, one can expect only increased skepticism and fear of change.

D. The Parliament

Access to the decision-making core of the state has long been, and continues to be, through personal connections (*wāsta*) such as ties of family, clan, tribe, or locality. At the same time, the recent political liberalization has, to a certain limited extent, expanded a more formal, institutionalized mode of access to decision makers. But there are significant limitations to this process, since, on the whole, election to parliament in 1989 was on the basis of family, clan, or other patronage ties. The exceptions, of course, were the votes that went to Islamists, based on people's belief that a vote for an Islamist was a vote against corruption. But even here, one may also often point to the operation of the traditional kinship ties.

In the absence of real political parties, blocs have evolved in the parliament: the Islamist and Independent Islamist Blocs, the Constitutional Bloc, the National Bloc, the Democratic Bloc,

and the residual Independent Bloc. Prior to the Gulf war, the blocs were quite fluid. Gradually, however, the number and names associated with various blocs have largely stabilized. Shortly after its election, the parliament distinguished itself from its predecessors by the lively debates that it held on such issues as the government's agreement with the IMF and unemployment. It also has a number of committees that did not exist before, notably the Committee on Public Freedoms, which serves as a kind of watchdog against state violations of citizens' civil or human rights. The parliament also charted a new course by initiating a series of investigations into the widespread corruption of the previous regime, a particularly controversial topic in the pre-Gulf war period.

The parliament has also passed a series of resolutions, which, while they do not carry the force of law, nonetheless give it a public profile as more than a closed door debating society. For instance, in 1992 a resolution was passed to outlaw the sale of alcohol in the country. This, as well as a more recent resolution calling for segregating the sexes at public swimming pools, were the result of Islamist influence. These discussions and resolutions not only indicate the influence and interests of the Islamist deputies; they also give the citizenry a sense that issues are being discussed.

In another example, at the end of June 1990 the centrist group in the parliament, the National Bloc, issued a statement criticizing the performance of Prime Minister Mudar Badran's government (EIU, 3/90). Again, while it is impossible to know the full impact of such criticisms, the fact that they take place and are reported in the press is a key improvement over the situation that existed under martial law when such criticisms were rarely voiced, and never reported.

Parliament does have more than the rubber stamp role it played in the pre-liberalization era. However, the King remains at the core of the system. He controls the legislative agenda. He also appoints the Senate, which must also pass proposed legislation. The King calls the assembly to session, and may prolong, shorten, or suspend those sessions as he sees fit. Attempts to challenge any of these powers would be viewed as a direct challenge to the King himself, a step none of the political parties seems interested in taking, probably because they fear it could mean the end of the whole liberalization experiment. Hence, the King can be certain that no legislation to which he is opposed will become law.

SECTION VI

THE POLITICAL GAME IN JORDAN: DOMESTIC AND FOREIGN BALANCING ACTS

The political structures outlined in the previous section are the fulcrum, or the center, of the complex balancing act which characterizes Jordanian policy-making. The core institutions of the state, the monarchy, the cabinet, and the bureaucracy, must balance Palestinians and Transjordanians and the "King's men" at the top of the social ladder with the appeal of the Islamists to the poor. The GOJ must also balance external adversaries and maintain support of foreign friends. In consequence, the lines between foreign and domestic policy blur: domestic stability strengthens the King's ability to pursue the peace process, while foreign events (e.g., events in the Gulf) can have dramatic domestic implications. This "mixing" of foreign and domestic policy has important implications for understanding economic policy making.

We begin with a discussion of domestic political organization, and then turn to a brief sketch of the external environment, particularly as it affects the development process and policy making.

A. Domestic Political Organizations

The major vehicles for the expression of political interests are traditionally political parties. In Jordan, political parties were forced underground in 1957. While they enjoyed a temporary resurfacing between 1967 and 1970, they did not begin operating openly again until the summer following the April 1989 riots.

As a result of the long suppression of political parties, other vehicles, both formal and informal, developed over the years to fill the void. In order to provide a full picture of interest articulation in Jordan, professional associations, labor unions, women's organizations, and chambers of commerce and industry must be examined along with the newly legalized political parties.

A1. Professional Associations

Jordan has long had a variety of professional associations--unions of doctors, engineers, lawyers, dentists, pharmacists, journalists, writers, geologists, and so on. Most of these organizations were founded in the 1950s by only a handful of people, and therefore, with the exception of the doctors' and lawyers' unions, maintained a low political profile. However, in the absence of legalized political parties, it was the democratic elections for leadership posts in these organizations which many citizens watched to gauge the shifting relative power of the illegal political parties in the country.

Everyone who ran for office was known for his political affiliation, and it was generally on that basis that elections were contested, not on platforms related to the strictly professional activities of the organization. While they were not immune to political pressure from the regime, they were less vulnerable than other civil society institutions because of their composition. Their

members were men and women who were *not* employees of the state, and who were largely self-employed and many of whom were quite successful. Their economic power (and often family connections) translated into political power.

In the wake of the liberalization, these associations have continued to function, but their activities and political leadership role have been somewhat eclipsed by the emergence of the underground political parties. Some MPs have been members of these unions, and some members of these unions have been activists in political parties. However, the 1992 Political Parties Law forbids unions and various other clubs and institutions from engaging in political activities.

This is a particularly important provision, for it hinders political parties from directly tapping their greatest potential sources of finance and recruitment. In the short term such restrictions are likely to hamper attempts at expansion of political party activity. In the longer-run, however, if the regime policy is to liberalize further, the law could be amended or revised to lift such strictures.

A2. Labor

Labor has traditionally been heavily repressed. Labor Law Number 35 of 1953 legalized labor unions for the first time on the East Bank, but prohibited their involvement in politics. By mid-1956 thirty-nine unions counted over 9,000 members. Thereafter the growth in activity was slow owing to the general atmosphere of repression that attended the imposition of martial law in 1957. Over the years, the regime periodically intervened in union affairs.

Interference intensified following the 1970 civil war. The government reorganized the structure of the Federation of Jordanian Labor Unions to increase dramatically the numbers of regime supporters. A subsequent revision of the Labor Law further empowered the state to dissolve, re-divide and reorganize unions. In 1974, a special *mukhābarāt* bureau was opened to monitor labor. The state also resorted to more direct means of intimidation: "persuading" potential candidates not to run; imprisoning activists; or dismissing them from their jobs.

The record of coercion since the beginning of the liberalization has been mixed. In the spring of 1990, 39 members of the central council of the FJLU protested the participation of a number of representatives whose unions had in the past (with government blessing or disinterest) violated membership and accounting rules. This constituted the greatest challenge to date to government interference in the unions. One of the major forces within the opposition group, the communists, eventually came to an agreement with the Ministry of Labor on this issue, in effect betraying the rest of the group of 39. Nevertheless, the very fact that the challenge had been posed and that the federation could no longer be run according to the past principles of state-co-opted business as usual indicated that some progress toward reestablishing the unions as authentic voices of labor had been achieved.

Labor unions still have some distance to go before they can be described as effective articulators of their members' interests. While in the 1970s participation rates were between 18

and 20 percent, since the liberalization they have dropped to below 13 percent. Although Jordanian labor was hard hit by the cuts that accompanied the economic decline and the IMF austerity measures, neither the FJLU nor the individual unions have attempted to intervene against this most recent round of arbitrary dismissals, reductions in social services, or wage cuts. In the past the alternative to union participation was generally apathy. It is unclear at this stage whether apathy or the *Ikhwān* is the present beneficiary of labor union ineffectiveness.

Part of the problem is that there has not been enough time for the factionalized pro-labor forces to unite against the entrenched pro-government bureaucracy and push for change. Also at work is a broader factionalism that has characterized the post-liberalization Left in Jordan. Workers long ago lost their confidence in the unions, while the pro-union forces have demonstrated a less than lofty example of democratic behavior.

A3. Chambers of Commerce and Industry

Since the mid-1950s the Jordanian business community has had a formal organization in the form of the Jordanian Chamber of Commerce. Nonetheless, as a result of small numbers and the state of martial law, they were not particularly effective for years in voicing their interests as a unified interest group. Since the beginning of the liberalization, business has become an increasingly vocal sector.

The Jordanian Chamber of Commerce is in fact a federation of local chambers of commerce intended to serve as the representative of the private sector in all economic, commercial and service fields. By the late 1980s (following the disengagement from the West Bank) there were 13 chapters with 70,000 members throughout the Kingdom. The Amman Chamber of Industry separated from the Chamber of Commerce in 1962. Its members are public, private and mixed sector companies and membership totaled about 6,000 at the end of 1990. Recently, sub-associations have been formed in the chamber for banking, insurance, farmers, transportation, shipping, contractors, and land transport sectors. Chamber members serve on a number of boards and committees, in some cases as mandated by law and in others by invitation, as is the case with the Chamber of Commerce. They also participate in joint trade delegations and in the drafting of trade protocols.

By members' own admission the government formally consulted the private sector only infrequently during the 1970s. Interests were conveyed through traditional, informal channels. In most cases, individual members would seek meetings with the relevant minister, the prime minister or perhaps the crown prince or the King. Yet commitments at this level requiring bureaucratic reform often came to naught. Public sector workers and managers suspect that the private sector is only self-interested. The Palestinian/ Transjordanian or private/public sector divide has also hurt or undermined some private sector lobbying and probably obstructed some bureaucratic reform.

After the beginning of the liberalization, and particularly after the lifting of martial law, the private sector became more vocal. Under martial law, formal meetings to voice protest or

opposition had been forbidden. The lifting of martial law has meant that formal institutions may begin to operate as real channels of interest articulation.

Beginning in the fall of 1991, members of the Chamber of Industry began to participate in weekly meetings at the prime minister's office to study amendments to the new labor law. Members of the Chamber of Industry also participated in drafting or amending the Companies Law, the Encouragement of Investment Law, the Guaranteeing of Investment Law, and the Standards and Specifications Law.

Perhaps the most notable recent attempt at interest articulation in the private sector came in the fall of 1991, when the industrialists held a series of meetings to protest the proposed new consumption tax, detailed earlier. The meetings were unprecedented, indicating both an increasing ability of the private sector to use a Chamber of Industry forum to articulate its interests, but also underlining the importance of the end of martial law. One may expect such fora gradually to develop further and play an increasing role; however, the informal channels of access are far more familiar and should not be expected to fall into disuse in the near future.

Businessmen in the summer of 1992 were looking forward to having a more effective voice in future parliaments. They pointed to the fact that several of the political parties awaiting licensing are in fact aggregates of prominent businessmen (e.g. the Group of 70), although discussions with them and an examination of the names associated with the different parties indicated that organizing principles may have more to do with existing cliques or personalities than with political program. Nonetheless, since this sector includes many of the Kingdom's wealthiest men, one should expect that they will use their substantial financial resources to support new political parties and/or expanded Chambers of Commerce and Industry activities.

A4. Women's Organizations

Women's organizations operated on both banks in the 1950s until the crackdown of 1957. Thereafter, as was the case in other sectors, not until the 1967-70 period was there brief, renewed activity. In general, during the two periods of political ferment, women were able to push for such rights as the franchise and revisions of personal status and labor laws. Outside these periods, however, most of the regime-tolerated women's activities related to what are traditionally described as charitable work: raising money for the poor and handicapped, caring for orphans and the elderly, and the like.

In 1974 the Women's Union in Jordan (WUJ) was founded and quickly opened branches across the Kingdom. Activities included offering a variety of training classes, operating nurseries and child care centers, and providing a range of social services and cultural activities. For a brief period it produced an irregular publication, but the state eventually outlawed it. By 1981 the state had taken steps to freeze the activity of the union and replace it with a state-sponsored General Jordanian Women's Union.

The GJWU was essentially an umbrella organization for existing women's organizations and assorted women who joined as individuals, but had no real program of its own. Its existence

made it unlikely if not impossible that another women's organization would be able to establish Kingdom-wide branches and serve a mobilizing function across the country.

State intervention in women's affairs has continued even since the beginning of the liberalization. In the period preceding the 1990 elections, a new set of by-laws was drafted by the GJWU which, according to one interpretation, gave disproportionate representation to individual members over the constituent societies and federations. A controversy over voting rights then ensued, against the backdrop of charges that Islamist women (registered as individuals) were attempting to take over the union. Minister of Social Development `Abd al-Majid Shraydeh dismissed the union's executive committee and appointed an ad hoc committee to oversee elections. Representatives from the union met with the speaker of parliament to protest Shraydeh's action, and women from both the executive committee as well as the Irbid branch raised a court case against the ministry's interference. While the Gulf crisis delayed action, the case was eventually resolved in favor of the non-Islamists.

Although women won the franchise in 1973, it was not until 1989 that they were able to exercise it in parliamentary elections. Women also stood for the first time for parliamentary seats in 1989, although none was successful. While the political liberalization has thus offered them the opportunity for greater political expression and participation, Jordanian women and their various organizations have yet to make issues of special concern to women central to the parliamentary agenda. In addition, however, the economic crisis has hit women just as hard as it has hit men, if not harder: part of the conservative and conservative Islamist program is aimed at trying to remove women from or keep them from entering the work force. To date parliamentary action and discussions do not suggest that women can look to so-called "progressive" MPs to protect their interests.

A5. Political Parties

Shortly after plans for elections in November 1989 were announced, the long outlawed parties began operating openly and with impunity. The actual legalization of these parties had to await two developments: the promulgation of the National Charter and the passage of a new political parties law, which finally came in August 1992. At that time, some 60 parties had applied to the Ministry of the Interior for licenses.

Among the first parties licensed were two East Bank parties. The first, the Jordanian National Alliance, represents a group of Bedouin tribes from central and south Jordan. Another, *al-`Ahd*, is headed by a man from one of the premier Jordanian military families, `Abd al-Hadi al-Majali. Also approved was the application from a coalition of several Islamist tendencies, including the Muslim Brotherhood, called the Islamic Action Front.

A number of other parties have also been licensed, although several leftist parties initially encountered Ministry of Interior opposition on the grounds that their applications were in some way in violation of the National Charter. Several Cabinet members held meetings with party officials, and after slight changes were made in their parties' names, the licenses were granted.

The former Jordanian Communist Party, renamed the Jordanian Socialist Democratic Party was ultimately not forced to make any name or platform changes.

Regardless of how many political parties are given legal status, the fact remains that at this stage only three forces can claim anything resembling a mass base in the country:

- Islamists
- Constituent factions of the PLO
- State-sponsored political groupings, especially the Constitutional Block

It is to these institutions or groups rather than the plethora of political parties one should look in the short term for interest articulation, both inside the parliament and in society as a whole. These basic groups encompass numerous budding political parties, but they are still too young, their memberships are too small and unstable, and their platforms are too little differentiated for them to have much impact.

A5a. Islamists

During the long years of outlawed political activity in the Kingdom, the Muslim Brotherhood (which was not considered a political party) was able to act relatively freely. Indeed, the conservative monarchy tacitly encouraged the Brotherhood, in part as a means of countering what were regarded as more threatening Leftist and Arab nationalist trends in the country.

The Brotherhood used this opening over the years to cultivate a following through not only Friday sermons, but also community-based social services. As the economic crisis in the country has increased, these services expanded. Like in other parts of the Arab world, growing numbers, particularly of Jordanian youth have been attracted to Islamist groups because of deteriorating economic conditions. The Islamists have also benefited from the broader surge of Islamic conservatism in the region. In Jordan as elsewhere, people regard secular politicians and political parties as having been unable to address the key issues of interest to the average citizens: economic well-being and the confrontation with Israel. They have also witnessed years of corruption to which Islamists have responded "Islam is the answer."

The Islamists draw support from all sectors of society, both Palestinian and Transjordanian, each of which has an unofficial "wing" in the Brotherhood. There is the perception among Jordanians that its Palestinian followers are more numerous, with particular strength coming from the refugee camps. Islamists also have a very strong presence on the campuses of Jordan and Yarmuk universities as well as in the labor movement. However, statistics on numbers and distribution in the population are not available.

The Islamists did win over one-third of the seats in the 1989 parliamentary elections. While they did not constitute a single political party at the time, and had occasional defections as well as additions, they have come to constitute a voting bloc in the parliament. Each municipal

and associational election is watched closely for clues as to how well the Islamists will do in the parliamentary elections scheduled for late summer 1993.

While they have not made open alliances with other blocs in parliament, their conservatism and opposition to the peace process makes them a natural ally on many issues of the conservative East Bank Constitutional Bloc. This was certainly the case in the success of the no-confidence vote against Tahir al-Masri in December 1991. It also appears to be the case in parliamentary support for some of the conservative resolutions (not laws), like that calling for a ban on alcohol in the Kingdom introduced into parliament by the Islamists.

A5b. Constituent Factions of the PLO

Branches of the constituent groups of the PLO have long operated in Jordan, playing an active role in the political battles that were fought out in the elections for the professional associations, the women's union and organized labor. Several of these factions have announced their intention to apply for licensing, while three, the Democratic Party for Progress in Jordan and the Jordan People's Democratic Party (both offshoots of the Democratic Front for the Liberation of Palestine), and the Jordanian Democratic Popular Unity Party (formerly the Popular Front for the Liberation of Palestine) have been licensed. It is unclear, however, how active Palestinians may become in these East Bank offshoots of PLO factions, when most of their political attention is focused across the river in the occupied territories.

The issue of Palestinian representation in the Jordanian parliament and activity on the East Bank remains contentious. Palestinians stayed away from the 1989 elections in large numbers, in part because of distrust of the government and in part because they were afraid their participation would give credence to the Likud party claim that "Jordan is Palestine." The degree to which Palestinians see themselves as Jordanians and as interested in participating in Jordanian politics apart from peace process considerations is also unclear. A sense of "Jordanianness" is more widespread among the Palestinian upper and upper-middle classes, but is certainly nowhere to be found in the refugee camps. It is safe to say that the political allegiances and interests of the refugee camp residents lie with the PLO or with the Muslim Brotherhood, at least in part because of its rejection of the peace process.

While one cannot point to a PLO-related bloc in the Jordanian parliament, there is a group of nationalist/leftist deputies, the Democratic Bloc, some of whom are former members of one of the organization's constituent factions.

A5c. State-sponsored Political Groupings

The Jordanian state has never sponsored a political party. Nonetheless, a number of state institutions may be expected to continue to exert influence on politics. This is not an organized or coherent process and takes place through a number of channels.

The most visible "representative" of traditional East Bank bureaucratic interests is the Constitutional Bloc in parliament. This grouping brings together (although it does not define

itself in these terms) conservative Transjordanian representatives who in effect speak for a those long associated with the state apparatuses. They have sought to hold the line against too swift a political liberalization process. There is also the more centrist and Jordanian (as opposed to Palestinian or Transjordanian) National Bloc, whose members are associated with or are from the Jordanian political and economic elite.

A6. Assessment

The picture painted above is one of a very weak civil society. One may point to two main reasons for such a situation in Jordan: (1) the traditional role of the State, and (2) the importance of tribe and family.

For historical reasons, the state has occupied much of what would otherwise have been "room" for civil society, even in the realm of the economy. Moreover, for reasons related to Jordan's position on the front lines of the Arab-Israeli conflict, the security and armed forces have attained great prominence. The perception of potential domestic threat, real or imagined, led the state to attempt to regulate or coopt many civil society institutions.

Another important reason for the weakness of civil society is that in Jordan ascriptive ties—family, clan and tribe—remain paramount. This is especially true in the Transjordanian sector of society, but holds for parts of Palestinian society as well. Kinship ties have been the most powerful and effective means of exercising power vis-a-vis the government and in protecting the individual from a potentially discriminatory or predatory state. For that reason, they continue to be the vehicles through which many Jordanians attempt to press their interests. With the exception of the Islamists, none of the political parties has a mass base, so at this stage one cannot really talk about the parties' social bases. However, when the full spectrum of political parties is finally clear after this first wave of registrations, one should expect to see numerous parties with strong tribal or regional connections, such as *al-'Ahd* and the Jordanian National Alliance.

These two features of Jordanian society make it easier for the core institutions of the state to balance domestic forces: the fissures of family and tribe make it easier to play one group off against the other, and the large role of the state ensures that key decision makers have wide latitude in coping with challenges. Their need for such latitude is, in their view, greatly reinforced by Jordan's external environment.

B. The Role of External Actors

Jordan's domestic scene is deeply affected by its regional connections. Indeed, in Jordan, the line between domestic and foreign policy blurs, and sometimes disappears. After all, one of the two major elements of "domestic" Jordanian affairs is the Palestinians, whose plight and grievances constitute the core of the Arab-Israeli dispute. In addition, Jordan's neighbors have greater financial and/or military resources. When the monarchy balances domestic interests, it simultaneously juggles powerful foreign forces. There are at least four levels of international relations which have immediate implications for internal political stability:

- The conflict between Palestinians and Israelis
- The wider Arab-Israeli conflict
- Inter-Arab state relations, particularly Jordan's relations with:
 - West Bank Palestinians and the PLO
 - Syria
 - Saudi Arabia
 - Iraq
- Relations with OECD countries, especially the United States, and with OECD dominated institutions, such as the IMF.

Jordan's formal links to the West Bank date back to 1950, when King Abdullah formally incorporated the area into his Kingdom. The administrative apparatus of the Jordanian state was retained in a variety of ways even after the Israeli occupation in June, 1967. Jordan paid the salaries of some 18,000 civil servants on the West Bank, provided pensions, passports, and university education for West Bankers, as well as offering the main market for West Bank agricultural produce. These linkages were formally severed in 1988, when the King declared that he was acquiescing in the wishes of the Palestinians for independence. Many observers believe that he was actually trying to force the hand of the PLO to provide equivalent services and to cease publicly attacking the GOJ.

Despite these formal moves, many of the linkages of personal loyalty and informal affiliation remain and could easily be revived in the event of a shift in policy in Amman. There are also indications that Fatah and the GOJ are collaborating more closely to coordinate their activities on the ground in the West Bank, just as they coordinate their negotiating position in the peace talks. Should the peace process proceed, pressure from Israel and the U.S. is likely to ensure that some form of "linkage" between the West Bank and Jordan be established.

Jordan's relations with Syria are cordial, but wary. There are close cultural links between these two Arab Mashreqi peoples which go back many centuries. On important occasions, Syria has aided the GOJ, as for example by delivering oil to the Kingdom during the Gulf War when its other sources were cut off. But the relationship often marked by tension. Syria and Jordan differ markedly in their approaches to the economy, to Israel, to Islamist militancy, and to the United States. Jordan has had disputes with Syria on subjects ranging from the Wahdeh Dam to the war in the Gulf. King Hussein's government has been careful to avoid challenging directly Syria's fundamental interests. But the legacy of distrust, dating back at least to Syria's role in the 1970 Fidayeen War, has never been fully abated. In 1980, for example, Syria menaced Jordan with some 800 tanks on the frontier, alleging that Jordan was providing a haven for Syrian Islamist militants. Diplomatic efforts by the two countries, together with those of the United States and Saudi Arabia, defused the crisis. But Jordan remains wary of its militarily powerful northern neighbor.

Jordan has generally friendly, yet sometimes strained, relations with Saudi Arabia. The Hashemite House was, after all, expelled from the Hijaz by Abdel Aziz Ibn Saud, the founder of Saudi Arabia. The long border between the two countries is (sparsely) inhabited by bedouin for whose loyalty the two governments sometimes compete. As generally pro-Western monarchies,

relations between the two countries have normally been relatively good. Not only did Saudi Arabia provide considerable grants to Jordan, but many Jordanians found work there: in the mid-1980s, some 150,000 Jordanian workers were employed in Saudi Arabia, with another 70,000 in Kuwait (ESCWA, 1986). As discussed earlier, the dramatic exception of the Gulf Crisis and War had profound consequences for the domestic Jordanian political economy. Saudi "check-book diplomacy"--and its "visa diplomacy"--remains an important factor for a country as economically fragile as Jordan.

During the 1980s relations with Iraq dominated Jordan's political economy. Iraq provided the major market for farm produce, the key source of demand for the critical transit trade, and a vital source of jobs for Jordanian workers. Jordan's perceived tilt toward Iraq during the Gulf Crisis and War cost the country dearly. The Jordanian finance minister estimated the costs of the War to Jordan in 1991 at \$2 billion. (cited in Sadowski, 1993). More recently, relations have soured with the Iraqi decision to refuse to honor "old dinars", large sums of which were held by Jordanians. This has been estimated to have cost Jordanians some \$300 million. The incident offers yet one more example of the sharp, unpredictable impact of foreign developments on the Jordanian domestic political economy.

The actions of the United States or OECD-dominated institutions such as the IMF can have equally important consequences for the balancing act. The origins of the shift in the political-economic bargain in Jordan are traceable to events in the regional and international economies, changes which led to the drying-up of external resource flows. Needless to say, implementing IMF programs poses significant political challenges; in some cases, as in the case of the riots in Ma'an and other southern towns in 1989, implementing externally mandated economic reforms can threaten domestic political stability. At the same time, maintaining cordial relations with the IMF is viewed as an element of ensuring solid ties with the West, long a corner-stone of Jordanian foreign policy. Such an orientation contributes to the willingness of the GOJ to implement economic reforms.

Relations with Israel are also obviously critical to Jordanian stability. The lack of resolution of the Palestinian problem poses a constant threat to stability in Jordan; the perceived abuses of Arab inhabitants of the West Bank and Gaza provide ample propaganda for the Islamists and other adversaries of the King's moderate policies. Israel's overwhelming military superiority is also threatening, as are the statements that "Jordan is Palestine," which carries the implied threat of expulsion of West Bankers with all the destabilizing implications such action would have for the Kingdom. A peace agreement with Israel would greatly reduce political tensions and could offer significant economic benefits. However, Jordan is not sufficiently strong to be able to pursue peace alone; it can only enter into a peace which also is satisfactory to Palestinians in the Occupied Territories and to the Syrians.

The entire, complex balancing act of both domestic and transnational forces converges on the peace process. A peace agreement would offer Jordan significant benefits:

- The defusing of tensions would greatly increase the chances for private investment and, therefore, for job creation.

- Large-scale bilateral and multilateral aid inflows would accompany any agreement.
- Achieving an agreement would reduce the political appeal of Islamist extremists.
- The King would receive considerable credit for his long advocacy of a just peace with Israel among his subjects.

At the same time, a peace agreement contains potential risks:

- Violent opposition (perhaps led by Islamists) to a peace deal would jeopardize the process of political liberalization.
- Since any comprehensive agreement would very likely provide for some form of confederation with the West Bank, the role of Palestinians in the Jordanian polity would rise still further.
- A peace agreement would further reduce the role of the (Transjordanian) Army.
- Because of the weakening of the "Transjordanian core" of the state, the peace process might lead to a slowing down of economic liberalization and privatization, since, as we have seen, such economic reforms also favor Palestinians at the expense of Transjordanians.

The presence of these risks do not imply that the King is not committed to the peace process; he clearly is. Rather, the risks illustrate, once again, the complexity of the balancing act, the delicacy of internal stability, and its tight linkages with developments in Jordan's foreign relations. Domestic and foreign policy are often nearly indistinguishable in Jordan.

These political dynamics have two fundamental implications for development policy formulation and implementation:

- Foreign policy (with its inextricably linked correlate, domestic stability) dominates all other considerations in governmental decision making. Foreign policy concerns absorb most of the attention of top decision makers, and any economic policy change is closely scrutinized for its consequences for external relations and domestic stability. Examples range from trade liberalization's implications for relations with Syria and Saudi Arabia to the calculation that good relations with the IMF strengthens Jordan's overall ties to the West.
- Successful economic policy reform will require the formulation of "packages," in which benefits are simultaneously extended to adversely affected constituencies. Devising partial compensation mechanisms, whether strictly economic or largely political, will be an important element of successful reform efforts.

SECTION VII

THE LIMITS OF ACCOUNTABILITY

The key to Jordan's stability rests largely upon the King's ability to manage and balance countervailing foreign and domestic tensions as the peace process, economic reform, and political liberalization proceed. A key ingredient of the political liberalization has been the holding of free parliamentary elections. This is an important development, but one should be careful not to overemphasize its importance. The termination of regime interference in the electoral process has meant the establishment of a direct line of accountability between legislator and electorate. However, other lines of accountability are less direct or more diffuse, and one should not expect the King to move to strengthen accountability in these areas in the near term. Several "accountability relationships" are discussed below as illustrations of the very real limits of the current political liberalization process.

A. Parliament vs. the Electorate

On a national level the most direct line of governmental accountability is that between the electorate and the parliament. Deputies were elected according to district and may stand for reelection in 1993. It is not a one person-one vote system, since districts are not drawn with the intent of providing a deputy for every so many voters. Tribal areas are over-represented, while the urban centers, particularly Amman, are under-represented. In addition, seats are designated as Muslim, Christian or Circassian (or Chichen). While the desire on the part of the government to ensure representation for minority groups is understandable in historical context, nonetheless, as long as such a system is in place, accountability will be somewhat compromised because not all candidates are eligible for all seats.

There are other limits to accountability. First, as long as the parliament continues to serve largely as a forum for open debate rather than as a real legislative body, and as long as political parties continue to be fledgling organizations with little or no parliamentary (much less mass) base, constituents will be less likely to hold their representatives responsible for particular stances and reelect them (or not) on that basis.

Second, for the foreseeable future one may expect Jordanians (certainly Transjordanians, if perhaps less so among Palestinians) to elect their deputies on the basis of family or clan affiliations, and only secondarily on the basis of policy stands or performance. In such a system, what is most important is simply to have a tribal or clan member in the parliament. An MP's "effectiveness" is gauged by the extent to which he (there have been no women in the Lower House) succeeds in placing his constituents in jobs or in obtaining government contracts.

One must await the 1993 campaign and elections to see whether accountability to constituencies (aside from traditional patronage concerns) are raised as reelection issues. At this point, it seems unlikely. The only possible exception may be the degree to which Islamists are

able to use their support for various conservative resolutions such as the ban on alcohol to underline their piety and qualify them for reelection.

B. Decision Makers vs. Parliament

Another limitation on accountability is the relationship between decision makers and parliament. Some decision makers are parliamentarians or former parliamentarians. In other cases, they may well be members of the same tribe or extended family, from the same region, colleagues or partners in business of a parliamentarian. Access and influence are based on traditional family ties or patronage links.

One important indication of the continuing gap in accountability between these two groups came during the preparation of the 1990 budget. The Finance Committee recommended that the budgets of Jordan's semi-autonomous institutions be included within the ambit of Parliament (such a proposal is also included in the National Charter). Up to that time neither parliament nor the Finance Committee had had jurisdiction over these budgets. This, despite the fact that spending for these institutions for 1990 was projected at JD 600 million, nearly 55 percent of the figure for total central government expenditure (EIU, 2/90). The recommendation apparently had little impact for this same criticism was raised regarding the 1991 budget (EIU, 1/91).

Another area in which spending levels have not been subject to any sort of parliamentary controls is that of the military. While the government might at some point be expected to cede control of the budgets of the semi-autonomous institutions, the military is much more sensitive an issue. One should not expect its budget to be made subject to parliamentary oversight any time in the near future.

The parliament has also been effectively shut out of the process of implementing the terms of the government's letter of intent signed with the IMF. The details of the agreements remain secret, indicating that MPs were expected to take on faith their appropriateness and unavoidability. Parliament's decision-making powers in areas of central to the development process is relatively limited.

C. Bureaucracy vs. Decision Makers and Ministers

Ministers are responsible for their individual ministries and at least in theory have the power to order policies to be implemented. In fact, however, this authority is often not recognized by the bureaucracy or is unenforceable by the individual minister. At times due to lethargy, at times due to opposition to policies, Jordanian mid-level bureaucrats have, according to charges of former ministers, other policy makers and businessmen, blocked policy implementation.

In a situation in which accountability requires willingness to accept responsibility, a bureaucracy is perhaps the last sector from which to expect such accountability. Bureaucrats have been particularly loath to implement reforms (whether economic or political) which

Charges of Corruption and Scandals

One of the primary charges against the government of former Prime Minister Zayd al-Rifa'i was that of corruption. In response, the parliament began investigations in the spring of 1990. A public prosecutor was appointed, to be assisted by five specially formed judicial committees.

The greatest scandals were the Iraqi export credits fiasco (which seriously depleted Jordan's foreign currency reserves) and the subsequent sale of about one-third of the Kingdom's gold reserves in a fruitless attempt to bolster the value of the dinar. Also to be investigated were the questionable circumstances surrounding the importation of wheat, barley, and animal feed, the collapse of Petra Bank, and irregularities in a number of construction projects. The prosecution of the cases was postponed by the Gulf crisis. However, in early January 1991 the government moved quietly to drop some of the corruption cases which were under investigation, in particular, the case of the sale of the Kingdom's gold reserves.

The dismissal of most of the corruption cases, especially those against the former prime minister, combined with the failure of the government to settle the infamous Petra Bank scandal in which the palace itself was implicated was disappointing, if not unexpected. The conclusion Jordanians could be expected to draw from these cases was that the wealthy and powerful will be excused, while the less influential will be prosecuted. Such an approach only reinforces public cynicism toward government.

imply reducing their role or perhaps eliminating their jobs. Streamlining or reforming the bureaucracy would appear to be a key requirement for more efficient and more accountable government.

D. Decision Makers vs. the Electorate

In Jordan, the real decision makers (the King, his advisors, and the cabinet) do not owe their position to election. MPs who are part of the cabinet are there because the King wants them there, not because they were elected. While the openness of parliamentary debates and free elections certainly may give Jordanians the sense that they have more of a voice in government, these elections do not have an exceptionally large role in policy formation or implementation.

Some of the excesses of the past lack of accountability in this relationship have changed since the beginning of the liberalization. One key important change has been that, with the lifting of martial law, the Economic Security Committee (prime minister and several other ministers ex officio) is no longer the prime unit responsible for making much of the Kingdom's economic policy. In the absence of parliamentary oversight and any other form of accountability, it gradually developed into a body that stood above the law. The termination of the extra-legal powers of this committee, while not eliminating corruption, nonetheless removes one of the key avenues facilitating its practice.

E. The Prime Minister vs. Parliament

The prime minister is chosen, not by his political party, but by the King, as are the cabinet ministers. Thus, if the King becomes displeased with any minister (for reasons which may have to do with performance or personality) he may seek his/her resignation. Parliament's only input comes in its right to vote no confidence in a prime minister. It did so in the case of Tahir al-Masri in December 1991, as a way of expressing displeasure with both Jordan's participation in the peace process and the pace of the liberalization.

While such a vote allows parliament to express discontent, it is unlikely to lead to a change in policy unless the King and his advisors have already determined that a change is in order. In the case of Tahir al-Masri, the withdrawal of confidence led neither to the end of Jordan's participation in the peace process, nor to a change in the pace of the liberalization, one way or the other.

F. The King's Role

Over the years, the King has succeeded in maintaining his power, while distancing himself from the political fray. While individual governments may draw fire, Hussein has cultivated the image of a benign force outside the system poised to intervene when the politicians err or fail.

The ultimate limits of political liberalization lie in the fact that the King continues (in consultation with a select if sometimes changing group of key, powerful advisors) to rule as well

as reign. Discontent may be expressed openly (although the new press and publications law is far more restrictive than many had hoped) and parliamentarians may rail against government policies and still be reelected. Nonetheless, the real power behind policy and legislation will remain beyond the realm of direct censure. And certain issues, particularly those related to the monarchy, the army and state security, will be beyond the pale of public contention.

This does not mean that the people and parliament have no input. The King and his advisors understand which are the key constituencies--Transjordanians and Palestinians, public sector workers versus private sector businessmen, Islamists versus secularists- in both the economic and political liberalization processes. They may be expected to attempt to continue to balance the often conflicting interests of these groups. They should not, however, in the near future be expected by observers to relinquish much more power than they already have. Political liberalization in Jordan is real and important, but its limitations must also be recognized.

SECTION VIII CONCLUSIONS

Jordan began to adopt economic reforms and to begin political liberalization in 1989 because of the gradual disintegration of the regime's old survival strategy, whose two pillars were:

- Cooptation of the Transjordanian core through state employment and subsidies
- Political quiescence of the Palestinian bourgeoisie in exchange for an atmosphere conducive to making money

The new austerity meant that the state could no longer provide the same range of services and standard of living it had in the past. Instead, it was forced to resort to imposing new forms of extraction (taxes and fees) on the population. In order to survive such a policy shift, the King and his advisors decided that the authoritarian nature of the regime would have to be relaxed: parliament would have to be allowed a more substantive function and political expression would have to be tolerated. Hence the elections in 1989, the lifting of martial law and the subsequent series of important steps that have eliminated most of the coercive and intrusive forms of state behavior from the daily experience of Jordanians.

However, both of these shifts, economic reform and political liberalization, threaten a key state constituency: the Transjordanian state sector, including the internal security and army apparatuses. They are also implicitly threatened by the peace process. Economic reforms and new austerity measures have undermined their economic position by raising the cost of living while cutting benefits. In addition, the focus on private sector development challenges the continued centrality of their jobs and their sector to the state. The peace process threatens to decrease the size of the Army, a Transjordanian stronghold. At the same time, the largely Palestinian private sector looked forward to reforms that would ease restrictions and red tape on their activity, as well as create a new political atmosphere in which opinion could be more freely expressed.

Liberalization offers civil society institutions the first opportunities for relatively free development since 1956. The Islamists in particular have been able to benefit from the more open atmosphere, attracting substantial portions of the economic "losers" along with those who feel alienated from the state or by the political process. The next few years may witness the process of further development and legitimization of other political parties and various associational groups as real political actors.

In order for this to happen, however, these actors must come to be viewed as capable of delivering the "goods," that is, of taking over the role that has traditionally been played by family, tribe, and other connections. The transformation of the state from distributor to extractor was a necessary first step in this direction. However, the will and capabilities of these

institutions and their leaders to play a new role, as well as the boundaries of political liberalization, remains unclear.

Jordan's short-term political and economic health is in no small measure dependent upon the success of the King's careful maintenance of most of much of his power while at the same time engaging in this crucial inter-sectoral and inter-communal balancing act. Placed in economic and political context, the King's ability to command the allegiance and legitimacy of a majority of his citizens is critical to the success of the balancing act. The form and limits of political liberalization aim to contribute to this end. So is the continued maintenance of his extensive powers as long as they continue to be used to balance the gains and losses of various sectors.

As long as the processes of reform proceed slowly, the increased opportunities for political expression (as well as, hopefully, employment through greater development of the private sector) will probably in the short and medium term be sufficient to hold the balance. This is the most likely scenario and presumably the one on which the King is counting.

However, if the economy should take another turn for the worse, one possible scenario is that the Palestinian-Transjordanian divide could be bridged among the lower classes because of shared economic suffering. However, this alliance may not be sufficient to challenge the regime.

A second scenario might involve continued economic deterioration combined with negative developments in the peace process. In such a situation, the Islamists might well be able to consolidate further political support and form an alliance of sorts with substantial elements from the Transjordanian state sector. Such a coalition emerged informally in parliament in late 1991 to withdraw confidence from prime minister Tahir al-Masri, although it in no way challenged the King. Given the right circumstances, however, such a coalition could reemerge with greater potency if the King and his circle of advisors fail to continue to "divide and balance" its constituent parts.

A third scenario depicts the King as involved in a massive holding action. Having undertaken limited political liberalization and economic reform sufficient to stabilize the economy and please the IMF, the King may decide not to proceed further at this time. Jordan has traditionally relied on external support, and the King may feel that if Jordan plays the proper role in the peace process, he will be able to postpone the gradual downsizing of the state sector through external financial infusions from the US, the EC, or Japan.

In any case, the key contests to be watched as the processes of economic reform and political liberalization unfold are between the conservative forces tied to the old state-security regime (T) and those who seek to make the most of the new economic and political climate (largely P); and between the Islamists (largely lower and middle classes, both P & T) and the secularists (largely middle and upper classes, both P & T, including the King's men). The King must balance and cultivate all four parties if stability is to be maintained.

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ANNEX B THE JORDANIAN RETURNEES

There is little agreement on the numbers of those Jordanians who returned to the kingdom in the wake of Saddam Husayn's invasion of Kuwait. There is also wide variation in statistics on the economic impact. It is clear that there was an immediate strain on a variety of infrastructural services, that unemployment jumped, but that the gradual investment of some of the returnees, particularly in the housing sector, led to an economic mini-boom when the Jordanian economy was sorely in need of a boost.

Socially, the returnees represent a new, but not particularly significant cleavage in Jordanian society, one that cuts across socio-economic classes and, to a lesser extent, ethnic lines. Because they are overwhelmingly Palestinian, there is some Transjordanian resentment of them, particularly of their putative wealth and the numbers they have added to the country's Palestinian population. However, politically the returnees remain an uncertainty, for, while most observers expect them to vote for moderate, non-islamist candidates, no one knows how many will in fact register and then vote. Moreover, their numbers are still uncertain and, given the nature of politics in Jordan, their impact is likely to be diffuse. They have made no successful bids at collection action to date,

A. Economic impact

Numbers. One of the first problems in any discussion of the returnees is numbers. "Common wisdom" puts the number at 300,000 - 350,000, the approximate size of the Palestinian population of Kuwait (the vast majority of whom held Jordanian citizenship) at the time of Saddam's invasion. But other figures are far lower. At the low end of the scale are the figures of the **Jordan Economic Monitor** (below 100,000) based on the small number (8,440) of those seeking compensation from the UN. A survey sponsored by the Jordanian government (NCERD, July 1991)* and based on returnee children registered in Jordanian schools puts the figure closer to 150,000. If one then includes those who returned after April 1991, 200,000 is probably a reasonable estimate.

The NCERD study revealed that 44% were under fifteen years of age. 57% reside in Amman, 24% in Zarqa, and 13% in Irbid. 80% of the students are enrolled in government schools, while 7.5% are enrolled in UNRWA schools, and 12.5 % in private schools. 78.1% of the returnee families came from Kuwait, 12.7% from Saudi Arabia, and the remainder from Iraq or other Gulf states. Most arrived in Jordan between June 1990 and January 1991.

Loss of remittances. Remittances from the expatriate workers in the Gulf states were long a critical source of hard currency for the Jordanian economy. Here again statistics vary widely. In 1989 remittances were reported at \$628.1 million, in 1990 \$612.3 million, and in 1991, \$1,168.9 million, as a result of the influx of returnees capital from the returnees. Estimates for 1992 placed remittances at \$325 million.

Investment. Initially, 47% of returner families resided in homes they owned, 42% in rented homes and about 10% lived with relatives of friends. 82% of the returnee families who rent pay less than 100 JD per month, a very low figure reflecting the poverty they suffer, Furthermore, the average monthly expenditure of 33% of the returnee families is below the poverty line (less than JD 150 per family per month). (NCERD study)

Those who did have excess funds tended to invest in construction. The sector grew by 22% in 1992, compared with 15%, (or 9.8% depending upon which figures one accepts) the year before. This boom, in turn, fueled an upturn in other, related sectors, such as small-scale manufacturing, which grew by 10% in 1992. Demand for white cement, iron, tile and marble increased substantially, leading to rising prices, bottlenecks and the development of a black market in iron and cement, which are government-regulated. There was also returnees investment in retail trade, which grew by 38% in 1991. In a related development, the real estate sector grew as well, by 10% in 1991.

Moreover, the real impact of returnee investment was not expected to become fully apparent until 1993. As of March 1993, some 45% of the returnees (of some 70,000 who came to Jordan after August 1991) were awaiting war restitution before investing their money in the Jordanian economy: about 16% said they intended to begin investment ventures, while 38% said they did not. In the NCERD survey, more than 3000 families (over 17.6% of the total) expressed a desire to establish investment projects (55% commercial, 12% industrial, 15% agricultural) with initial capital ranging from 1000 to 50,000 JDs. 52% of these families expressed a desire to establish projects costing less than 10,000 JDs.

Employment. The labor market was also affected by the expats' return. Unemployment estimated at 20% before the Gulf crisis was believed to have risen to around 30% with the influx of the returnees. A government survey of mid-1992 showed 128,659 (18.9%) of the 680,000 strong work force to be unemployed. However, other estimates suggested that the real unemployment level was closer to 200,000. According to the NCERD survey, 19,000 were unemployed. By April 1991 only 3,900 (4%) had found work. Of the unemployed, 3,200, were specialist and technicians, 800 administrators, 2,800 clerical workers, and 5,900 others. Unemployment was the most important problem mentioned by returnee families during the NCERD survey. The beginning of the construction boom was expected to alleviate the country's unemployment problem, although not necessarily among the returnees,

Inflation and Imports. Inflation and import levels have also been affected by the returnees. The increase in rents and land prices created by the influx of the returnees and Iraqi emigres exerted upward pressure on price levels, which was further reinforced by the rising prices in the construction industry. The government estimated inflation, at 10% in 1991 and it was estimated to have risen higher into the double digits in 1992. In addition, government spending levels rose to provide needed additional infrastructure services for the returnees.

Imports were up 40% over 1989, in part due to the rise in the cost of Jordan's oil purchases and in part due to the increased demands for oil from a swollen population. On the

trade account, a 29% increase in imports in 1992 over 1991 may well owe to furnishing purchases of those who had just constructed homes,

B. Social Tensions

Although separate statistics were not kept on Palestinians vs. Jordanians in Kuwait, it was generally accepted that the vast majority of those Jordanian expatriates working in the Gulf were Palestinian. Hence their return adds to feelings in the Transjordanian sector that they may soon be overwhelmed by the Palestinians. There is also tension between Transjordan and Palestinians in some parts of the country, where economic hardship has led Transjordanians to sell their only asset, land, to the only group in a position to buy, the wealthy (largely Palestinian) returnees.

However, there are other socioeconomic tensions that have nothing to do with ethnicity. These tensions derive from the different roles played by those who stayed in Jordan versus those who went to the Gulf. Those who stayed believed that the expats had led an easy life in the Gulf. They had made a lot of money and had been able to avoid the effects of the economic downturn Jordan suffered in the late 1980s. The fact that the community in the Gulf was socio-economically diverse does not change the general perception among those who stayed in Jordan that they were all wealthy. These tensions have a large inter-Palestinian component.

There was also the expectation on the part of Jordanians that the expats would continue to support them with remittances; but that fact also engendered a latent resentment, which surfaced most noticeably when the returnees came home for good and began to strain services and drive up prices for food and housing. In addition, with their return, the tables were turned, so that those who had been the sources of support suddenly became dependent upon those they had long been supporting. The increase in petty crime and theft that has accompanied the economic downturn in the country is often attributed to the return of the expats, the implication being that they are a drain on the country, not only economically but also morally.

All example of an issue over which tensions arose concerned the imposition of customs duties on cars brought into the country by the returnees. The expats sought deferral or exemption from such charges because of what they had suffered and because many of them faced uncertain employment and financial futures. However, many other Jordanians felt that they should have to pay (again a kind of jealousy or desire for revenge), and that exempting them was an unfair privilege for the returnees that others did not enjoy.

The political component of the tensions is fading, but is by no means gone altogether. It consists of the polar opposite feelings that the Jordanians and the returnees had regarding Saddam Husayn and his invasion of Kuwait. The support of the Jordanian street (Transjordanian and Palestinian alike) for Saddam was one of the prominent features of the Gulf crisis in Jordan. The returnees, on the other hand, generally resent Saddam: it was his invasion that set in motion the chain of events that uprooted and dispersed their families, deprived them of their businesses and livelihoods, and destroyed their community. Pro- versus anti-Saddam feelings divide many returnees from their relatives who were resident in Jordan.

C. Possibilities for Collective Action

In a society like Jordan's, the most effective channels of collective action, as demonstrated by the socio-political system to date, have been family and tribe. Only the Muslim Brotherhood, with years of organizing experience and support from both inside and outside the state, has been able to mobilize as effectively as family and tribe.

Such a situation makes it unlikely that the returnees could come to constitute a coherent political group. While they are overwhelmingly Palestinian, they have returned to three different urban areas, their numbers cut across socio-economic class, religion, region of origin (in Palestine), and family. It does appear that returnees tend to socialize together more than with non-returnees, but this is also conditioned by family obligations. Moreover, in the urban areas where they have settled, there are some areas in which returnees have tended to concentrate, such as New Zarqa and New Marka (Amman), but voting in the kingdom does not take place in such a way as to give such limited concentrations any power.

The government did establish a Returnees Welfare Committee, which was to channel assistance from other voluntary societies to the returnees. The returnees themselves formed two organizations. The first was the Cooperative Society for those Injured by the Gulf Events, a civil society institution that sought to obtain returnee compensation, as well as look after returnee employment, health, education, investment, employment interests, and the like. The second was the Popular Committee for the Emigres from Kuwait, which was more concerned with issues of compensation and exposing human rights violations by the Kuwaitis. While these organizations appear to have held numerous meetings and made numerous statements, it does not appear, even in the early days following the war, that they were able to implement a specific program. There were also discussions of forming other organizations, of returnees pooling their money to buy a bank or to establish a new bank or establish a newspaper company, and so on. But none of these proposals has come to fruition.

While the majority of the returnees are Palestinian, and Palestinians voted heavily Islamist in the 1989 elections, having come from a more cosmopolitan society in Kuwait, the returnees are expected to vote for moderate candidates. Official government sources, expect half of the nearly 150,000 eligible returnee voters (based on the 350,000 returnees estimate) to cast a ballot (the same level of participation expect in the Kingdom in general). However, none of this is certain. With the change in the Jordanian electoral law to one-person one-vote, it is difficult to predict how *any* groups effect may be felt.

In early summer 1993 some prominent returnees had begun considering which candidates to back; however, they themselves are relatively new to the country and with little power base, by the end of the summer none had indicated an intention to run. Nor, as the country prepared for the official campaign season were any "returnee issues" (with the exception of unemployment, which is, of course, not limited to returnees) on the national agenda.

Hence at this stage, the returnees do not appear to constitute a coherent, economic, social, or political group.

Note: The NCERD survey covered 97,368 of the estimated (in spring 1991) 156,000 returnees. It does not include an estimated 9,000 persons representing about 1,500 families which did not return their questionnaires, 45,000 persons representing families with no students--since the survey was administered through school-age children—and 45,000 unmarried returnees who were working in the Gulf. Nor, of course, does it included those who returned after spring 1991.

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